

Message Text

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FM AMEMBASSY CONAKRY

TO SECSTATE WASHDC PRIORITY 0646

C O N F I D E N T I A L CONAKRY 0552

LIMDIS

E.O. 11652: GDS

TAGS: EFIN EMIN GV

SUBJECT: HALCO/GOG AGREEMENT RE BAUXITE TAX

REF: A. CONAKRY 0549; B. CONAKRY 0539

1. HALCO COUNSEL PETER WRAGG GAVE ME FINAL REPORT MEETING
APRIL 21 ON SIGNATURE OF TAX AGREEMENT WITH GOG, AT SAME TIME
PASSING EMBASSY FRENCH TEXT OF AGREEMENT (REF A).

2. HALCO DELEGATION WILL ARRIVE NEW YORK
APRIL 23, AND INTEND
PASS COPIES OF AGREEMENT TO OPIC AND EXIMBANK. WRAGG ASKED EMBASSY
CONVEY HALCO'S DEEPEST APPRECIATION TO OPIC AND EXIMBANK FOR
THEIR COOPERATION AND ASSISTANCE. WITHOUT APPROVAL OF BOTH,
WRAGG SAID THAT HALCO WOULD HAVE BEEN UNABLE SIGN FINAL AGREEMENT
WITH GUINEANS.

3. HALCO DELEGATION GENERALLY SATISFIED WITH AGREEMENT. WRAGG
SAID THAT BECAUSE OF GUINEAN CONCESSIONS REGARDING CREDITING
PREVIOUS INCOME TAX ADVANCES TOWARD PAYMENTS DUE ON SPECIAL
EXPORT TAX, THERE WOULD NOT, RPT NOT BE INCREASE IN PRICE
GUINEAN BAUXITE AT THIS TIME.

4. INVOICE FOR FIRST PAYMENT ON EXPORT TAX DUE APRIL 24.
INVOICE WAS FOR \$11 MILLION; BECAUSE OF \$5 MILLION CREDIT
(PARA 3(B) OF AGREEMENT), PAYMENT WILL BE IN FACT ONLY \$6
MILLION. HALCO OBTAINED SHORT GRACE PERIOD FOR MAKING THIS
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PAYMENT (ABOUT 10 DAYS) SO ALL PARTNERS COULD FULFILL NECESSARY

ACCOUNTING PROCEDURES.

5. WRAGG SAID THAT HALCO DELEGATION HAD COME TO GUINEA DETERMINED TO REACH AGREEMENT WITH GOG ON TAX IF POSSIBLE. SOME OF PARTNERS, HE SAID, WERE NOT IN AGREEMENT WITH THIS DECISION, AND BELIEVED TIME RIPE NOW TO PROVOKE CONFRONTATION WITH GOG. THOUGH HE MENTIONED NO NAMES SPECIFICALLY, OBVIOUSLY ALLUSION TO MARTIN-MARIETTA. WRAGG BELIEVES, HOWEVER, THAT OTHER PARTNERS WILL GO ALONG WITH AGREEMENT.

6. AFTER MEETINGS HERE, HALCO BELIEVES THAT TAX IS NOT, RPT, NOT FIRST STEP IN PROCESS LEADING TOWARD EXPROPRIATION. LIKE FRIALCO, IT APPEARS TO BELIEVE RATHER THAT TAX WAS PRECIPITATED BY GUINEA'S DESPERATE NEED FOR FOREIGN EXCHANGE AT THIS TIME. AT LEAST, HALCO IS IN EFFECT BETTING ON THIS. WRAGG SAID THAT THERE WAS NO WAY, OF COURSE, TO PROVE AT THIS TIME THAT CONTRARY VIEW (HELD BY SOME PARTNERS) WAS NOT JUSTIFIED. THERE WAS SOME TEMPTATION HE SAID TO TAKE LINE ADVOCATED BY MINORITY SHAREHOLDERS (PRESUMABLY MARTIN-MARIETTA) BUT TEMPTATION RESISTED.

7. HALCO DELEGATION FINALLY DID MEET WITH PRESIDENT TOURE AFTER SIGNATURE OF AGREEMENT. TOURE CONGRATULATED ALL CONCERNED AND EXPRESSED GRATITUDE THAT GOG AND HALCO WERE "STILL PARTNERS." TOURE ADDRESSED HIMSELF TO UNILATERAL DECISION TO IMPOSE TAX WITHOUT CONSULTING PARTNERS. PRESIDENT SAID, WITHOUT FURTHER EXPLANATION, THAT ADVANCE CONSULTATION WITH PARTNERS WOULD HAVE COMPROMISED THEIR ACTIVITIES ELSEWHERE WITH OTHER COUNTRIES. HALCO NOT SURE HOW TO INTERPRET THIS CRYPTIC REMARK.

8. ONE OF LAST ISSUES TO BE RESOLVED WAS BETWEEN PARTNERS THEMSELVES --GUINEAN DEMAND THAT PAYMENTS BE EFFECTED IN "NATIONAL CURRENCY OF EACH BUYER" (ARTICLE 5 OF AGREEMENT). THIS APPARENTLY CAUSED PROBLEMS PARTICULARLY FOR EUROPEANS. AMUSING SIDELIGHT IS THAT ALCAN SIGNED ORIGINAL AGREEMENT THROUGH SUBSIDIARY LOCATED IN BERMUDA. WRAGG COMMENTED THAT THERE WERE INSUFFICIENT BERMUNDA DOLLARS TO PAY TAX; THEREFORE ALCAN "PERMITTED" TO PAY IN CANADIAN DOLLARS.

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9. SEKOU TOURE ALSO TOOK OCCASION OF HIS MEETING WITH DELEGATION TO ANNOUNCE MINISTER OF PLAN ALIOUNE Drame's MISSION TO WASHINGTON (CONAKRY 0549). THEN TURNING TO HALCO PRESIDENT FAWCETT, HE SAID THAT FAWCETT MUST BE "CHIEF OF GUINEA'S DELEGATION" FOR THIS VISIT, AND HELP PAVE WAY FOR SUCCESS Drame's MISSION. HE PROVIDED NO FURTHER DETAILS.
MACDONALD

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